

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

NATIONWIDE INSURANCE COMPANY OF AMERICA
NAIC # 25453 CDI # 1628-7

AS OF MAY 31, 2001

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

FIELD CLAIMS BUREAU

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CALIFORNIA DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
Ronald Reagan State Office Building
300 South Spring Street
Los Angeles, CA 90013



November 28, 2001

The Honorable Harry W. Low
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

Nationwide Insurance Company of America

NAIC #25453

Hereinafter referred to as NICOA or as the Company.

This report is made available for public inspection and is published on the California Department of Insurance web site (www.insurance.ca.gov) pursuant to California Insurance Code section 12938.

SCOPE OF THE EXAMINATION

The examination covered the claims handling practices of the aforementioned Company during the period June 1, 2000 through May 31, 2001. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was primarily conducted at the Company claims office in Camarillo, California.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

The alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period June 1, 2000 through May 31, 2001, commonly referred to as the “review period”. The examiners reviewed 129 NICOA Private Passenger Automobile (PA) claim files. The examiners cited 23 claims handling violations of the Fair Claims Settlement Practices Regulations and/or the California Insurance Code Section 790.03 within the scope of this report.

Nationwide Insurance Company of America			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
PA Bodily Injury	247	24	1
PA Property Damage	91	24	8
PA Uninsured Motorist Bodily Injury	34	18	0
PA Medical Payments	90	27	5
PA Comprehensive	16	12	5
PA Collision	51	24	4
TOTALS	529	129	23

TABLE OF TOTAL CITATIONS		
Citation	Description	Nationwide Insurance Company of America
CCR §2695.7(h)	Upon acceptance of the claim the Company failed to tender payment within thirty calendar days.	7
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers which pertain to the claim.	5
CIC §790.03(h)(3)	Failure to adhere to standard of prompt investigation and processing of claim.	2
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty calendar days.	2
CCR §2695.8(b)(1)	The Company failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile.	2
CCR §2695.4(a)	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	2
CCR §2695.7(b)(3)	The Company failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully rejected, he or she may have the matter reviewed by the California Department of Insurance.	1
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	1
CIC §790.05(h)(3)	Failure to effectuate prompt, fair and equitable settlement of claim.	1
Total Citations		23

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. In response to each criticism, the Company is required to identify remedial or corrective action that have been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There was one case where money was recovered for claimants within the scope of this report. The total money recovered was \$18.00.

1. Upon acceptance of the claim the Company failed to tender payment within thirty calendar days In seven instances, upon acceptance of the claim the Company failed to tender payment within thirty calendar days. The Department alleges these acts are in violation of CCR § 2695.7(h).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

2. The Company failed to properly document claim files. In five instances, the Company's file(s) failed to contain all documents, notes and work papers. The Department alleges these acts are in violation of CCR §2695.3(a).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

3. The Company failed to adhere to standard of prompt investigation and processing of claim. In two instances, the Company failed to investigate and process the claim in a timely manner. The Department alleges these acts are in violation of CIC §790.03(h)(3).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

4. The Company failed to provide written notice of the need for additional time every thirty calendar days. In two instances, the Company failed to provide written notice of the need for additional time every thirty calendar days. The Department alleges these acts are in violation of CCR § 2695.7(c)(1).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

5. The Company failed to explain in writing for the claimant the basis for the fully itemized cost of the replacement automobile. In two instances, the Company failed to explain in writing for the claimant the basis for the fully itemized cost of the replacement automobile. The Department alleges these acts are in violation of CCR § 2695.8(b)(1).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

6. The Company failed to disclose all policy provisions. In two instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Department alleges these acts are in violation of CCR § 2695.4(a).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

7. The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance. In one instance, the Company failed to include a statement in their claim denial that, if the claimant believes that the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges these acts are in violation of CCR § 2695.7(b)(3).

Company Response: The Company has acknowledged the violations and will review procedures with claims personnel to be in compliance.

8. The Company failed to provide written basis for the denial of the claim. In one instance, the Company failed to provide written basis for the denial of the claim. The Department alleges these acts are in violation of CCR § 2695.7(b)(1).

Company Response: The Company has acknowledged the violation and will review procedures with claims personnel to be in compliance.

9. Failure to effectuate prompt, fair and equitable settlement of claim. In one instance, the Company failed to include the title transfer and salvage certificate fee in a total loss settlement. The Department alleges these acts are in violation of CIC§790.05(h)(3).

Company Response: The Company has agreed to an audit of all total loss files for the preceding 3 year period. Any settlements that were made without properly applying the title transfer or salvage certificate fee will be identified and the claimants will be paid any amounts due them. The Company will review procedures with claims personnel to be in compliance.